



Private Capital Group Q2 2021 Newsletter

As we celebrate a very welcome and different summertime and the second half of 2021 with much optimism, clarity, and a renewed view on life, we would like to take this moment to reflect on Q2 2021. With some bumps in the road, much good occurred during the first half of 2021. The U.S. economy seemingly appears to be rising, individual states nearing being “open” to full capacity once more, and many are experiencing relief from economic burdens caused by the 2020 shutdown, powered by monumental fiscal stimulus and a waning pandemic. COVID-19 vaccination rates have significantly increased over the last three months. Equity markets have been revived and the housing market is still surging. Many sectors negatively impacted by the pandemic have begun to respond and show positive improvement. Domestic and international travel have started to increase as some people feel more comfortable being in tight spaces with others and looking forward visiting family and friends across the globe once again.

We have much to be thankful for having waded through the last year and a half but should take heed knowing we will still experience some trying economic, health, and political challenges in the months ahead. Supply chain constraints, potentially rising inflation, and labor market troubles are all concerns for the U.S and the world. In addition, pressure on the Federal Reserve to begin easing some of its pandemic-related stimulus and substantial fluctuations in equity and fixed-income markets are major concerns as we take steps farther into our comeback period. Responsiveness from economic and political powers are crucial in determining which path we will head down. Although we appear to be on the road to recovery, we must remain vigilant in doing our part to regain our sense of normalcy.

Financial Market	Q2 2021	YTD 2021
S&P 500 (Domestic Stocks)	8.55%	14.72%
EAFE (International Stocks)	5.38%	8.98%
U.S. Government/Credit Intermediate Bonds	0.98%	0.88%

The Road to COVID-19 Immunity

After more than a year of strict lockdowns, economic turmoil, and an incredible loss



of human life due to the pandemic, it is our hope that brighter days are ahead. Many of our states have opened to full capacity and are rapidly progressing toward herd immunity. Due to the remarkable and enormous vaccination efforts from all parties involved, the daily average of COVID-19 cases has significantly dropped in the U.S. from 260,000 in early January to less than 15,000 as of the end of June. As of July 1st, over 50% of the U.S. population and 86% of people over the age of 65 have received at least one dose of the vaccine.

Although many millions have been diagnosed with COVID-19 at one point or another over the last year-and-a-half, estimates show that nearly 70% of the population has at least some sort of COVID-19 immunity, whether through vaccination or a build-up of antibodies from the virus itself. Either way, scientific research shows that a 70-90% range is needed for a population to reach herd immunity, and we are headed in the right direction. Further scientific research progress is still needed, however, to help cases and fatalities remain low. Potential for boosters, better treatments for those infected with COVID-19, and vigilance may help head us down the path to a life we once knew.

Labor Force Demands and Higher Wages

When a previously tattered and fractured economy begins to slowly open to full capacity once more, including many sectors negatively impacted by the pandemic, an acceleration in the demand of labors quickly occurs. Between February and April 2020, the United States lost roughly 22.2 million jobs. From April 2020 - April 2021 however, the U.S. economy has regained almost 14.7 million jobs, or roughly 66% of the total loss. Although encouraging, the road to full recovery is not nearly complete. Many recent jobs reports have fallen short of expectations although labor demand has remained exceptionally high. Businesses are attempting to attract employees to return to work through bonuses, added benefits, or relaxed work schedules, but have found little success. Extended unemployment benefits, lingering pandemic fears, childcare concerns, and early retirements have all contributed to the large numbers of unemployed and unfilled job vacancies.

Many prospective employees are demanding higher wages than previously earned for the same work, which many employers have begrudgingly accepted. Although higher wages are generally a positive, the significant growth in wages over the short-term have been on the minds of the Federal Reserve as rising inflation is a concern. Only time will tell how the Fed and labor market manage these situations.

Keeping an Eye on Inflation

As the economy has opened close to full capacity once more, the surge in consumer



spending coupled with supply shortages across almost every major sector of the economy has intimated a concern in a rise of inflation. Over the last few months, the Consumer Price Index (CPI) reports have skyrocketed past expectations and the year-over-year gain in inflation was also amplified due to depressed levels in prices a year ago.

Although some speculate that rising inflation is of major concern in the coming months, many note that with stronger economic growth comes higher inflation. Even alongside the Fed's new inflation policy target of 2%, inflation expectations above 2.5% level are historically normal for periods of recoveries. It is important to note that after years of dormant inflation, rising wages and a significant economic rebound may put the 2% target inflation from the Fed to the test for the coming months.

Although the last year and a half have been difficult and trying times for us all, Private Capital Group would once again like to take this time to thank you for your trust, faith, and commitment to us. Our entire team is devoted to providing the best possible service and care for you and your families.

Please contact anyone at PCG with any questions about your specific needs. Stay safe and healthy. We look forward to hearing from you soon.

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